

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Bath Charter Township	County Clinton
Fiscal Year End December 31, 2006	Opinion Date May 10, 2007	Date Audit Report Submitted to State June 5, 2007	

We affirm that:

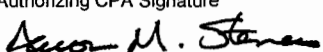
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	License Number 1101024055

**Bath Charter Township
Clinton County, Michigan**

FINANCIAL STATEMENTS

December 31, 2006

Bath Charter Township
Clinton County, Michigan
December 31, 2006

BOARD OF TRUSTEES AND ADMINISTRATION

Lynwood McGonigal	Supervisor
Kathleen McQueen	Clerk
Steve Wiswasser	Treasurer
Clark Losey	Trustee
Roni Christmas	Trustee
Joel Gutzki	Trustee
Adam Stacey	Trustee
Mark Ritter	Superintendent

Bath Charter Township

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Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Bath Charter Township
Bath, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bath Charter Township's basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 10, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2006:

- Property tax revenues, our largest revenue source in the General Fund, increased approximately \$176,437 from the prior year. The increase is the net result of an increase in the true cash value of real and personal properties in the Township.
- Total fund balances related to the Township's governmental funds increased by \$395,229.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to Bath Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net assets and the statement of activities provide information about the activities of Bath Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Bath Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Bath Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

Bath Charter Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. Bath Charter Township maintains three (3) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. Bath Charter Township uses an Internal Service Fund to account for potential future employee sick and vacation payouts. Because the services provided by employees of the Township predominantly benefit governmental rather than business-type functions, the activities of the Internal Service Fund have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-26 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of December 31, 2006 and 2004.

	Governmental Activities December 31		Business-type Activities December 31		Totals December 31	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 4,612,389	\$ 3,860,080	\$ 4,276,958	\$ 4,001,258	\$ 8,889,347	\$ 7,861,338
Capital assets, net	<u>3,717,040</u>	<u>3,872,025</u>	<u>6,338,657</u>	<u>5,673,130</u>	<u>10,055,697</u>	<u>9,545,155</u>
Total assets	8,329,429	7,732,105	10,615,615	9,674,388	18,945,044	17,406,493
Liabilities						
Current liabilities	216,026	240,189	296,305	323,542	512,331	563,731
Noncurrent liabilities	<u>1,852,504</u>	<u>1,936,673</u>	<u>3,945,017</u>	<u>4,231,459</u>	<u>5,797,521</u>	<u>6,168,132</u>
Total liabilities	2,068,530	2,176,862	4,241,322	4,555,001	6,309,852	6,731,863
Net Assets						
Invested in capital assets						
net of related debt	2,698,473	1,656,258	4,037,220	3,679,659	6,735,693	5,335,917
Restricted	220,431	168,061	-	-	220,431	168,061
Unrestricted	<u>3,341,995</u>	<u>3,730,924</u>	<u>2,337,073</u>	<u>1,439,728</u>	<u>5,679,068</u>	<u>5,170,652</u>
	<u>\$ 6,260,899</u>	<u>\$ 5,555,243</u>	<u>\$ 6,374,293</u>	<u>\$ 5,119,387</u>	<u>\$ 12,635,192</u>	<u>\$ 10,674,630</u>

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

Net assets may serve over time as a useful indicator of a government's financial position. Bath Charter Township's assets exceeded liabilities by \$12,635,192 as of December 31, 2006. By far the most significant portion of the Township's net assets (53 percent) reflects its investment in capital assets (e.g., land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (approximately 2 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,679,068) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Township's net assets increased by \$1,961,462 during the current year as discussed below.

	Governmental Activities December 31		Business-type Activities December 31		Totals December 31	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 540,583	\$ 577,813	\$ 1,386,839	\$ 1,434,270	\$ 1,927,422	\$ 2,012,083
Operating grants and contributions	2,377	2,472	-	-	2,377	2,472
Capital grants and contributions	58,592	68,166	827,318	5,086	885,910	73,252
General revenue:						
Property taxes	2,269,990	2,064,679	-	-	2,269,990	2,064,679
State shared revenue	561,210	571,850	-	-	561,210	571,850
Investment earnings	137,109	71,938	74,913	52,455	212,022	124,393
Equity interest in SCCMUA	-	-	(119,239)	644,876	(119,239)	644,876
Refund of reserve payment to SCCMUA	-	-	232,000	-	232,000	-
Miscellaneous	38,042	35,189	8,118	3,200	46,160	38,389
Special item - gain on sale of capital assets	-	228,209	-	-	-	228,209
Total revenue	3,607,903	3,620,316	2,409,949	2,139,887	6,017,852	5,760,203
Program Expenses						
General government	934,269	943,469	-	-	934,269	943,469
Public safety	1,471,257	1,475,203	-	-	1,471,257	1,475,203
Public works	390,197	351,854	-	-	390,198	351,854
Recreation and cultural	50,817	51,471	-	-	50,817	51,471
Sewer system	-	-	1,155,043	1,646,112	1,155,043	1,646,112
Interest on long-term debt	55,707	59,790	-	-	55,707	59,790
Total program expenses	2,902,247	2,881,787	1,155,043	1,646,112	4,057,290	4,527,899
Change in Net Assets	\$ 705,656	\$ 738,529	\$ 1,254,906	\$ 493,775	\$ 1,960,562	\$ 1,232,304

Governmental Activities

Governmental activities increased the Township's net assets by \$705,656 during fiscal year 2006. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$3,607,903 with the greatest revenue source being property taxes. Property taxes make up approximately 63% of total governmental revenue.

The Township incurred expenses of \$2,902,247 during the year. The majority of governmental expense is associated with the public safety function, which includes fire and police services.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

Business-type Activities

Business-type activities increased the Township's net assets by \$1,254,906 during fiscal year 2006. The increase in net assets was due to a refund of reserve payments received from the Southern Clinton County Municipal Utility Authority related to the Township's share of a sewer digester project and the addition of sewer systems constructed by developers and contributed to the Township. The majority (58%) of the revenue of the business-type activities is generated through user charges.

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Bath Charter Township as a whole. Bath Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2006 was the General Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$1,085,374 for the fiscal year. Public Safety services are partially supported by a police and fire millage, which is recorded in the General Fund.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System Fund and the Water System Fund at the end of the year amounted to \$2,228,312 and \$108,761, respectively. The changes in net assets for the Sewer System Fund and the Water System Fund for the fiscal year were \$1,237,387 and \$17,519, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund, specifically in the assessor and police departments.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$10,055,697 invested in a broad range of capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Bath Charter Township. These assets are not reported in Bath Charter Township's fund statements because under Michigan law these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

As of December 31, 2006, the capital asset amount reflected above included \$466,356 of construction in progress, primarily related to the sewer system project.

Current Economic Factors

Once again Revenue Sharing will be the significant budgetary concern for the next year. The State of Michigan has not repaired or made significant progress in their budgeting problems and short falls from 2006. As the State works on their 2008 budget, there will most likely be some cuts to Township Revenue Sharing.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2006

With Bath Township's General Fund fund balance increasing each year, the Township will likely take advantage of being able to reserve for some unanticipated capital expenditures for the future. Bath Township could also amend its 2007 budget for anticipated public repairs and upgrades to its roads along with public safety and community promotions. These costs could be as much as 15 to 20 percent of the total fund balance.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Superintendent or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

Bath Charter Township

STATEMENT OF NET ASSETS

December 31, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,994,565	\$ 1,079,790	\$ 3,074,355
Investments	900,000	513,357	1,413,357
Receivables	1,454,068	57,218	1,511,286
Due from state	94,723	-	94,723
Prepays	76,849	-	76,849
Internal balances	(5,284)	5,284	-0-
Total current assets	4,514,921	1,655,649	6,170,570
Noncurrent assets			
Investments	97,468	679,997	777,465
Deferred charges	-	72,749	72,749
Investment in SCCMUA	-	1,868,563	1,868,563
Capital assets not being depreciated	1,064,520	466,356	1,530,876
Capital assets, net of accumulated depreciation	2,652,520	5,872,301	8,524,821
Total noncurrent assets	3,814,508	8,959,966	12,774,474
TOTAL ASSETS	8,329,429	10,615,615	18,945,044
LIABILITIES			
Current liabilities			
Accounts payable	53,532	460	53,992
Accrued liabilities	20,353	-	20,353
Accrued interest payable	17,684	30,845	48,529
Due to other governmental units - local	1,026	-	1,026
Current portion of compensated absences	22,021	-	22,021
Current portion of long-term debt	101,410	265,000	366,410
Total current liabilities	216,026	296,305	512,331
Noncurrent liabilities			
Deferred revenue	869,284	40,017	909,301
Compensated absences	66,063	-	66,063
Noncurrent portion of long-term debt	917,157	3,905,000	4,822,157
Total noncurrent liabilities	1,852,504	3,945,017	5,797,521
TOTAL LIABILITIES	2,068,530	4,241,322	6,309,852
NET ASSETS			
Invested in capital assets, net of related debt	2,698,473	4,037,220	6,735,693
Restricted for other purposes	220,431	-	220,431
Unrestricted	3,341,995	2,337,073	5,679,068
TOTAL NET ASSETS	<u>\$ 6,260,899</u>	<u>\$ 6,374,293</u>	<u>\$ 12,635,192</u>

See accompanying notes to financial statements.

Bath Charter Township

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 934,269	\$ 269,533	\$ -	\$ 15,278	\$ (649,458)	\$ (649,458)
Public safety	1,471,257	253,519	2,377	-	(1,215,361)	(1,215,361)
Public works	390,197	-	-	43,314	(346,883)	(346,883)
Recreation and cultural	50,817	17,531	-	-	(33,286)	(33,286)
Interest expense	55,707	-	-	-	(55,707)	(55,707)
Total governmental activities	2,902,247	540,583	2,377	58,592	(2,300,695)	(2,300,695)
Business-type activities:						
Sewer system	1,155,043	1,370,039	-	827,318	-	1,042,314
Water system	-	16,800	-	-	-	16,800
Total business-type activities	1,155,043	1,386,839	-0-	827,318	-0-	1,059,114
Total government	\$ 4,057,290	\$ 1,927,422	\$ 2,377	\$ 885,910	(2,300,695)	(1,241,581)
General revenues:						
Property taxes					2,269,990	2,269,990
State shared revenues					561,210	561,210
Investment earnings					137,109	137,109
Equity interest in SCCMUA operations					-	(119,239)
Refund of reserve payments to SCCMUA					-	232,000
Miscellaneous					38,042	38,042
Total general revenues					3,006,351	3,006,351
Change in net assets						
Net assets, beginning of the year					705,656	705,656
Net assets, end of the year					5,555,243	5,555,243
					\$ 6,260,899	\$ 6,260,899
					\$ 6,374,293	\$ 6,374,293
					\$ 12,635,192	\$ 12,635,192

See accompanying notes to financial statements.

Bath Charter Township
GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,380,581	\$ 596,090	\$ 1,976,671
Investments	997,468	-	997,468
Receivables			
Accounts	2,391	-	2,391
Taxes	1,410,645	-	1,410,645
Special assessments	-	41,032	41,032
Due from state	94,723	-	94,723
Prepays	76,849	-	76,849
TOTAL ASSETS	\$ 3,962,657	\$ 637,122	\$ 4,599,779
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 46,626	\$ 6,906	\$ 53,532
Accrued liabilities	20,353	-	20,353
Due to other funds	5,284	-	5,284
Due to governmental units - local	-	1,026	1,026
Deferred revenue	2,257,131	63,830	2,320,961
TOTAL LIABILITIES	2,329,394	71,762	2,401,156
FUND BALANCES			
Reserved for:			
Prepays	76,849	-	76,849
Debt service	-	2,121	2,121
Unreserved			
Designated for capital projects	162,040	44,572	206,612
Undesignated, reported in:			
General fund	1,394,374	-	1,394,374
Special revenue funds	-	518,667	518,667
TOTAL FUND BALANCES	1,633,263	565,360	2,198,623
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,962,657	\$ 637,122	\$ 4,599,779

See accompanying notes to financial statements.

Bath Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2006

Total fund balance - governmental funds \$ 2,198,623

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,704,150	
Accumulated depreciation is	<u>(1,987,110)</u>	
Capital assets, net		3,717,040

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds		17,894
--	--	--------

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		1,451,677
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Compensated absences	(88,084)	
Accrued interest payable	(17,684)	
Bonds and notes payable	<u>(1,018,567)</u>	
		<u>(1,124,335)</u>

Net assets of governmental activities \$ 6,260,899

See accompanying notes to financial statements.

Bath Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,057,694	\$ -	\$ 2,057,694
Licenses and permits	31,992	230,492	262,484
Intergovernmental	566,240	2,377	568,617
Charges for services	79,991	31,618	111,609
Interest and rents	156,013	27,062	183,075
Other	34,810	61,822	96,632
TOTAL REVENUES	2,926,740	353,371	3,280,111
EXPENDITURES			
Current			
General government	868,779	5,736	874,515
Public safety	1,085,374	205,727	1,291,101
Public works	305,671	70,403	376,074
Recreation and cultural	47,409	-	47,409
Debt service	119,565	72,155	191,720
Capital outlay	79,240	24,823	104,063
TOTAL EXPENDITURES	2,506,038	378,844	2,884,882
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	420,702	(25,473)	395,229
OTHER FINANCING SOURCES (USES)			
Transfers in	-	72,155	72,155
Transfers out	(72,155)	-	(72,155)
TOTAL OTHER FINANCING SOURCES (USES)	(72,155)	72,155	-0-
NET CHANGE IN FUND BALANCES	348,547	46,682	395,229
Fund balances, beginning of year	1,284,716	518,678	1,803,394
Fund balances, end of year	\$ 1,633,263	\$ 565,360	\$ 2,198,623

See accompanying notes to financial statements.

Bath Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Net change in fund balances - total governmental funds \$ 395,229

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 67,970	
Depreciation	<u>(222,955)</u>	
Excess of depreciation expense over capital outlay		(154,985)

Internal service funds are used by management to charge the costs of certain activities to individual funds

Increase in net assets of Internal Service Funds	788
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	327,004
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Principal retirement	132,680
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	3,333	
Decrease in accrued compensated absences	<u>1,607</u>	
		<u>4,940</u>

Change in net assets of governmental activities	\$ 705,656
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See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 971,029	\$ 108,761	\$ 1,079,790	\$ 17,894
Investments	513,357	-	513,357	-
Receivables				
Accounts	52,132	-	52,132	-
Special assessments	5,086	-	5,086	-
Due from other funds	5,284	-	5,284	-
Total current assets	1,546,888	108,761	1,655,649	17,894
Noncurrent assets				
Investments	679,997	-	679,997	-
Deferred charges	72,749	-	72,749	-
Investment in SCCMUA	1,868,563	-	1,868,563	-
Capital assets not being depreciated	466,356	-	466,356	-
Capital assets, net of accumulated depreciation	5,872,301	-	5,872,301	-
Total noncurrent assets	8,959,966	-0-	8,959,966	-0-
TOTAL ASSETS	10,506,854	108,761	10,615,615	17,894
LIABILITIES				
Current liabilities				
Accounts payable	460	-	460	-
Accrued interest payable	30,845	-	30,845	-
Current portion of long-term debt	265,000	-	265,000	-
Total current liabilities	296,305	-0-	296,305	-0-
Noncurrent liabilities				
Deferred revenue	40,017	-	40,017	-
Bonds payable	3,905,000	-	3,905,000	-
Total noncurrent liabilities	3,945,017	-0-	3,945,017	-0-
TOTAL LIABILITIES	4,241,322	-0-	4,241,322	-0-
NET ASSETS				
Invested in capital assets, net of related debt	4,037,220	-	4,037,220	-
Unrestricted	2,228,312	108,761	2,337,073	17,894
TOTAL NET ASSETS	\$ 6,265,532	\$ 108,761	\$ 6,374,293	\$ 17,894

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2006

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
OPERATING REVENUES				
Charges for services	\$ 972,212	\$ 16,800	\$ 989,012	\$ -
OPERATING EXPENSES				
Contractual service	739,349	-	739,349	-
Administrative expense	20,000	-	20,000	-
Supplies	6,064	-	6,064	-
Other	1,969	-	1,969	-
Depreciation	189,590	-	189,590	-
TOTAL OPERATING EXPENSES	956,972	-0-	956,972	-0-
OPERATING INCOME	15,240	16,800	32,040	-0-
NONOPERATING REVENUES (EXPENSES)				
Equity interest in 2006 SCCUMA operations	(119,239)	-	(119,239)	-
Contributed systems	822,232	-	822,232	-
Tap in fees	397,827	-	397,827	-
Special assessments	5,086	-	5,086	-
Interest revenue	74,194	719	74,913	788
Paying agent fees	(900)	-	(900)	-
Interest expense	(193,129)	-	(193,129)	-
Amortization of bond issuance costs	(4,042)	-	(4,042)	-
Refund of reserve payments to SCCMUA	232,000	-	232,000	-
Other	8,118	-	8,118	-
TOTAL NONOPERATING REVENUES (EXPENSES)	1,222,147	719	1,222,866	788
CHANGE IN NET ASSETS	1,237,387	17,519	1,254,906	788
Net assets, beginning of year	5,028,145	91,242	5,119,387	17,106
Net assets, end of year	<u>\$ 6,265,532</u>	<u>\$ 108,761</u>	<u>\$ 6,374,293</u>	<u>\$ 17,894</u>

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Business-type Activities			Governmental Activities
		Nonmajor Enterprise Fund		Internal Service Fund
	Sewer System	(Water System)	Total	(Employee Sick and Vacation)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 944,464	\$ 16,800	\$ 961,264	\$ -
Cash paid to suppliers	(798,853)	-	(798,853)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	145,611	16,800	162,411	-0-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tap in fees	397,827	-	397,827	-
Refund of reserve payments to SCCMUA	232,000	-	232,000	-
Other	8,118	-	8,118	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	637,945	-0-	637,945	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Special assessments	5,086	-	5,086	-
Interest expense	(194,853)	-	(194,853)	-
Capital acquisitions	(32,885)	-	(32,885)	-
Amortization of bond issuance costs	(4,042)	-	(4,042)	-
Payments on borrowings	(255,000)	-	(255,000)	-
Paying agent fees	(900)	-	(900)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(482,594)	-0-	(482,594)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	74,194	719	74,913	788
Purchases of investments	(1,193,354)	-	(1,193,354)	-
NET CASH (USED) BY INVESTING ACTIVITIES	(1,119,160)	719	(1,118,441)	788
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(818,198)	17,519	(800,679)	788
Cash and cash equivalents, beginning of year	1,789,227	91,242	1,880,469	17,106
Cash and cash equivalents, end of year	\$ 971,029	\$ 108,761	\$ 1,079,790	\$ 17,894

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2006

	Business-type Activities			Governmental Activities
	Nonmajor Enterprise Fund			Internal Service Fund
	Sewer System	(Water System)	Total	(Employee Sick and Vacation)
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 15,240	\$ 16,800	\$ 32,040	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	189,590	-	189,590	-
(Increase) in accounts receivable	(6,306)	-	(6,306)	-
Decrease in deferred charges	4,042	-	4,042	-
(Decrease) in accounts payable	(35,513)	-	(35,513)	-
(Decrease) in deferred revenue	(21,442)	-	(21,442)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 145,611	\$ 16,800	\$ 162,411	\$ -0-

Note: The Township also adjusted its equity interest in 2006 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund by \$119,239 to reflect the current year activity at SCCMUA.

In 2006, the Sewer System recorded an increase in capital assets and contributions from developers, respectively, of \$822,232 as a result of construction costs related to developer projects.

See accompanying notes to financial statements.

Bath Charter Township

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,904,675
Due from individuals and agencies	<u>1,057</u>
TOTAL ASSETS	<u><u>\$ 1,905,732</u></u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 5,582
County	234,360
Schools	1,611,103
Due to individuals and agencies	37,542
Due to developers	<u>17,145</u>
TOTAL LIABILITIES	<u><u>\$ 1,905,732</u></u>

See accompanying notes to financial statements.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bath Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including general government, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Bath Charter Township (primary government) and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. The Township does not have any discretely presented component units.

BLENDING COMPONENT UNIT

- a. **Building Authority** - The Building Authority is governed by a five (5) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of certain public buildings for the use of the Township.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Bath Charter Township contain all the funds controlled by the Township Board.

2. Joint Venture

Bath Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. Bath Charter Township currently is represented by two (2) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority.

The members of the Authority and approximate percentage of responsibility are as follows:

Bath Charter Township	17%
DeWitt Charter Township	56%
City of DeWitt	11%
Watertown Township	16%

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Joint Venture - continued

For the year ended December 31, 2006, Bath Charter Township contributed \$722,981 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2006, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. Bath Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 1999.

3. Related Organizations

The Township participates in the following activity which is considered to be a related organization in relation to the Township due to the Township appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility.

Bath Charter Township Housing Commission - The Township appoints all of the five (5) Commission members. The Township does not have an ongoing day-to-day financial interest or responsibility for the Commission. The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the Township's notes to the financial statements only instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2005. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2005, the Commission had total assets of \$1,152,576; total liabilities of \$15,716, and total net assets of \$1,136,860. For the year ended December 31, 2005, the Commission had total operating revenues of \$51,294; total operating expenses of \$365,349; and a net decrease in net assets of \$35,485 after prior period adjustments.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to September 1, the Superintendent submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. Formal budgetary integration is employed as a management control device during the year.
- f. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, certificates of deposit, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit and U.S. government securities. All investments are stated at market value.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the township from special assessment, and taxes levied that have not been collected.

10. Property Tax

Bath Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2006 tax is levied and collectible on December 1, 2006, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$5 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2006, the Township levied 3.8813 mills for general governmental services and 2.9211 mills for police and fire services. The total taxable value for the 2005 levy for property within the Township was \$281,307,459.

11. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2006 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

13. Capital Assets

Capital assets include buildings, equipment, vehicles, and sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2006, but which are levied to finance year 2007 operations and sewer tap-in fees the Township received for services it has not yet provided. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements report deferred revenues that are unavailable to liquidate liabilities of the current period.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2006, the carrying amount of the Township's deposits were \$7,017,860 and the bank balance was \$7,178,244, of which \$1,500,120 was covered by federal depository insurance. The remaining balance of \$5,678,124 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2006, the carrying amounts and market values for the investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name			
Federal Home Loan Mortgage Corporation	\$ 48,186	5-6 years	AAA
Federal National Mortgage Association	<u>49,282</u>	5-6 years	AAA
	97,468		
Uncategorized pooled investment funds	<u>54,324</u>	N/A	N/A
	<u>\$ 151,792</u>		

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2006, the Township investment in the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association were rated AAA by Standard and Poor's.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Township will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2006:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$ 3,074,355	\$ 1,904,675
Investments - current	1,413,357	-
Investments - noncurrent	<u>777,465</u>	<u>-</u>
	<u>\$ 5,265,177</u>	<u>\$ 1,904,675</u>

The cash and cash equivalents captions in the basic financial statements include \$200 in petty cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2006, are as follows:

Due to Sewer System Fund from:	
General Fund	<u>\$ 5,284</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to nonmajor governmental funds from:
General Fund

\$ 72,155

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

Governmental activities

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Capital assets not being depreciated:				
Land	\$ 1,064,520	\$ -	\$ -	\$ 1,064,520
Capital assets being depreciated:				
Land improvements	614,575	5,230	-	619,805
Buildings and improvements	2,114,875	20,950	-	2,135,825
Machinery and equipment	133,195	29,532	-	162,727
Vehicles	1,603,028	12,258	-	1,615,286
Office equipment and furniture	<u>105,987</u>	<u>-</u>	<u>-</u>	<u>105,987</u>
Total capital assets being depreciated	4,571,660	67,970	-0-	4,639,630
Less accumulated depreciation for:				
Land improvements	(324,166)	(31,093)	-	(355,259)
Buildings and improvements	(393,008)	(46,015)	-	(439,023)
Machinery and equipment	(44,990)	(9,792)	-	(54,782)
Vehicles	(955,392)	(129,456)	-	(1,084,848)
Office equipment and furniture	<u>(46,599)</u>	<u>(6,599)</u>	<u>-</u>	<u>(53,198)</u>
Total accumulated depreciation	<u>(1,764,155)</u>	<u>(222,955)</u>	<u>-0-</u>	<u>(1,987,110)</u>
Net capital assets being depreciated	<u>2,807,505</u>	<u>(154,985)</u>	<u>-0-</u>	<u>2,652,520</u>
Net capital assets - governmental activities	<u>\$ 3,872,025</u>	<u>\$ (154,985)</u>	<u>\$ -0-</u>	<u>\$ 3,717,040</u>

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE E: CAPITAL ASSETS - CONTINUED

Governmental activities - continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 25,268
Public safety	180,156
Public works	14,123
Recreation and cultural	<u>3,408</u>
Total depreciation expense	<u>\$ 222,955</u>

Business-type activities

	<u>Balance Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2006</u>
Capital assets not being depreciated:				
Construction in progress	\$ 443,471	\$ 22,885	\$ -	\$ 466,356
Capital assets being depreciated:				
Sewer system	8,515,869	822,232	-	9,338,101
Equipment	<u>54,000</u>	<u>10,000</u>	<u>-</u>	<u>64,000</u>
Total capital assets being depreciated	8,569,869	832,232	-0-	9,402,101
Less accumulated depreciation for:				
Sewer system	(3,307,810)	(178,540)	-	(3,486,350)
Equipment	<u>(32,400)</u>	<u>(11,050)</u>	<u>-</u>	<u>(43,450)</u>
Total accumulated depreciation	<u>(3,340,210)</u>	<u>(189,590)</u>	<u>-0-</u>	<u>(3,529,800)</u>
Net capital assets being depreciated	<u>5,229,659</u>	<u>642,642</u>	<u>-0-</u>	<u>5,872,301</u>
Net capital assets - business-type activities	<u>\$ 5,673,130</u>	<u>\$ 665,527</u>	<u>\$ -0-</u>	<u>\$ 6,338,657</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2006:

	<u>Balance Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2006</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
2000 Building Authority Bonds	\$ 765,000	\$ -	\$ 30,000	\$ 735,000	\$ 35,000
Lease purchase agreement	38,119	-	38,119	-0-	-
Lease purchase agreement	348,128	-	64,561	283,567	66,410
Accumulated Sick and Vacation	<u>89,691</u>	<u>89,087</u>	<u>90,694</u>	<u>88,084</u>	<u>22,021</u>
	1,240,938	89,087	223,464	1,106,651	123,431

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F: LONG-TERM DEBT - CONTINUED

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006	Due Within One Year
Business-type Activities					
1973 Revenue Bonds	\$ 1,075,000	\$ -	\$ 125,000	\$ 950,000	\$ 125,000
2001 Sanitary Sewer Bonds	475,000	-	25,000	450,000	30,000
2004A Sewer Bonds	<u>2,875,000</u>	<u>-</u>	<u>105,000</u>	<u>2,770,000</u>	<u>110,000</u>
	<u>4,425,000</u>	<u>-0-</u>	<u>255,000</u>	<u>4,170,000</u>	<u>265,000</u>
	<u>\$ 5,665,938</u>	<u>\$ 89,087</u>	<u>\$ 478,464</u>	<u>\$ 5,276,651</u>	<u>\$ 388,431</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

General Obligation Bonds

\$900,000 Building Authority Bonds, Series 2000, dated August 1, 2000, due in annual installments ranging from \$35,000 to \$75,000 through May 1, 2020, with interest ranging from 5.5 to 5.8 percent, payable semi-annually.	\$ 735,000
\$3,550,000 Clinton County Sanitary Sewer Disposal System No. 4 Bonds dated November 1, 1973, due in annual installments ranging from \$125,000 to \$175,000 through November 1, 2013, with interest ranging from 4.00 to 5.75 percent, payable semi-annually.	950,000
\$600,000 Clinton County Sanitary Sewer Project Bonds, Series 2001, dated January 1, 2001, due in annual installments ranging from \$30,000 to \$45,000 through November 1, 2019, with interest ranging from 4.5 to 5.20 percent, payable semi-annually.	450,000
\$2,980,000 Bath Township Capital Improvement Bonds, Series 2004A, dated May 19, 2004, due in annual installments ranging from \$110,000 to \$215,000 through November 1, 2024, with interest ranging from 2.5 to 4.6 percent, payable semi-annually.	<u>2,770,000</u>
	<u>\$ 4,905,000</u>

Municipal Purchase Contracts

The following loan is considered a municipal purchase contract, under Act No. 99 PA of 1933, as amended, and is not subject to State of Michigan, Department of Treasury approval:

\$348,128 Fire Truck Lease Purchase Agreement, due in annual installments of \$78,802 through February 11, 2010, with interest of 4.37 percent, payable annually.	<u>\$ 283,567</u>
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Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE F: LONG-TERM DEBT - CONTINUED

Year Ending December 31,	2000 Building Authority Bonds		Clinton County Sanitary Sewage Project Series 2001 Bonds		Clinton County Sanitary Sewage Disposal System No. 4 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 35,000	\$ 40,093	\$ 30,000	\$ 21,120	\$ 125,000	\$ 48,875
2008	35,000	38,168	30,000	19,770	125,000	41,750
2009	35,000	36,243	30,000	18,420	125,000	34,563
2010	40,000	34,180	30,000	17,070	125,000	27,375
2011-2015	250,000	132,675	165,000	63,183	450,000	40,188
2016-2020	340,000	50,655	165,000	17,410	-	-
2021-2024	-	-	-	-	-	-
	<u>\$ 735,000</u>	<u>\$ 332,014</u>	<u>\$ 450,000</u>	<u>\$ 156,973</u>	<u>\$ 950,000</u>	<u>\$ 192,751</u>

Year Ending December 31,	Bath Township Capital Improvement Bonds Sewer System Project Series 2004A		Fire Truck Lease Purchase Agreement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 110,000	\$ 114,395	\$ 66,410	\$ 12,392	\$ 366,410	\$ 236,875
2008	110,000	111,645	69,312	9,490	369,312	220,823
2009	115,000	108,345	72,341	6,461	377,341	204,032
2010	120,000	104,608	75,504	3,299	390,504	186,532
2011-2015	675,000	371,767	-	-	1,540,000	607,813
2016-2020	830,000	298,178	-	-	1,335,000	366,243
2021-2024	810,000	94,400	-	-	810,000	94,400
	<u>\$2,770,000</u>	<u>\$ 1,203,338</u>	<u>\$ 283,567</u>	<u>\$ 31,642</u>	<u>\$5,188,567</u>	<u>\$ 1,916,718</u>

Accrued Sick and Vacation

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$88,084 at December 31, 2006. The amounts of \$22,021 and \$66,063 have been reported as current and noncurrent liabilities, respectively.

NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule shown as required supplementary information to the basic financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

During the year ended December 31, 2006, the Township incurred expenditures in one (1) Special Revenue fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Street Lighting Fund	\$ 45,000	\$ 55,144	\$ 10,144

NOTE H: RETIREMENT PLAN

TOWNSHIP GENERAL

The Township participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires no contribution from the employees. The Township is required to provide amounts necessary to fund the system.

Annual Pension Cost

For year ended December 31, 2006, the Township's annual pension cost of \$97,040 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation as of December 31, 2004, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 8.40% per year, depending on age, attributable to seniority/merit and promotional salary increases and the assumption that benefits will increase 2.5% annually for persons under Benefit E-1 or E-2. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE H: RETIREMENT PLAN - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 1,716,106	\$ 1,925,438	\$ 2,161,518
Actuarial Accrued Liability (entry age)	2,113,063	2,372,352	2,698,509
Unfunded (overfunded) AAL	396,960	446,914	536,991
Funded ratio	81 %	81 %	80 %
Covered payroll	\$ 857,224	\$ 858,316	\$ 905,081
UAAL as a percentage of covered payroll	46 %	52 %	59 %

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 85,831	\$ 93,821	\$ 97,040
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

BOARD MEMBERS

Plan Description

Bath Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of the Board Members for the Township. The Bath Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2006, Bath Charter Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed three (3) months of services. The eligibility computation period is in the three (3) month period that begins with the date hired.

NOTE I: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, wrongful acts, law enforcement, boiler, crime, bond, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2006:

General Fund	
Reserved for prepaids	<u>\$ 76,849</u>
Nonmajor governmental funds	
Reserved for debt service	<u>\$ 2,121</u>

The following are the fund balance designations as of December 31, 2006:

General Fund	
Designated for capital projects	<u>\$ 162,040</u>
Nonmajor governmental funds	
Designated for capital projects	<u>\$ 44,572</u>

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2006:

Governmental activities	
Restricted for other purposes:	
Building and zoning	\$ 206,902
Public safety	<u>13,529</u>
	<u>\$ 220,431</u>

REQUIRED SUPPLEMENTARY INFORMATION

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes				
General	\$ 1,069,043	\$ 1,069,043	\$ 1,050,164	\$ (18,879)
Police and fire	787,716	787,716	823,002	35,286
Other	64,000	64,000	66,937	2,937
Payments in lieu of taxes	500	500	433	(67)
Trailer taxes	3,200	3,200	2,450	(750)
Tax collection fees	100,000	100,000	114,708	14,708
Total taxes	2,024,459	2,024,459	2,057,694	33,235
Licenses and permits				
Franchise fees	28,000	28,000	31,992	3,992
Intergovernmental				
State shared revenue	575,000	575,000	561,210	(13,790)
Liquor licenses	3,900	3,900	5,030	1,130
Total intergovernmental	578,900	578,900	566,240	(12,660)
Charges for services				
Administration fees	25,000	25,000	20,000	(5,000)
Court fees	50,000	50,000	39,895	(10,105)
Park and recreation fees	15,000	15,000	17,531	2,531
Fire fees	-	-	316	316
Police fees	3,800	4,800	1,775	(3,025)
Other	6,000	6,000	474	(5,526)
Total charges for services	99,800	100,800	79,991	(20,809)
Interest and rents				
Interest - regular	30,000	30,000	97,815	67,815
Interest - tax collections	5,000	5,000	11,445	6,445
Rental fees	35,000	35,000	46,753	11,753
Total interest and rents	70,000	70,000	156,013	86,013
Other				
Refunds and rebates	1,000	1,000	16,019	15,019
Reimbursements	13,000	13,000	14,419	1,419
Other revenue	2,000	2,000	4,372	2,372
Total other	16,000	16,000	34,810	18,810
TOTAL REVENUES	2,817,159	2,818,159	2,926,740	108,581

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Township board	\$ 251,900	\$ 251,900	\$ 206,010	\$ 45,890
Supervisor	15,700	15,700	11,817	3,883
Superintendent	106,435	106,435	94,941	11,494
Elections	20,200	20,200	15,347	4,853
Assessor	80,290	135,790	121,575	14,215
Clerk	134,353	134,353	110,638	23,715
Board of Review	1,718	3,218	2,098	1,120
Treasurer	131,233	131,233	121,304	9,929
Building and grounds	105,200	110,200	89,342	20,858
Senior center	34,288	34,288	20,608	13,680
Other	107,700	112,700	75,099	37,601
Total general government	989,017	1,056,017	868,779	187,238
Public safety				
Police department	940,750	955,077	927,582	27,495
Fire department	188,347	188,347	157,792	30,555
Total public safety	1,129,097	1,143,424	1,085,374	58,050
Public works				
Department of public works	320,822	320,822	305,671	15,151
Recreation and cultural				
Parks and recreation	58,915	58,915	47,409	11,506
Debt service				
Principal	103,115	103,115	102,680	435
Interest	16,885	16,885	16,885	-0-
Total debt service	120,000	120,000	119,565	435
Capital outlay	112,972	112,972	79,240	33,732
TOTAL EXPENDITURES	2,730,823	2,812,150	2,506,038	306,112
EXCESS OF REVENUES OVER EXPENDITURES	86,336	6,009	420,702	414,693

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING USES				
Transfers out	<u>\$ (75,180)</u>	<u>\$ (75,180)</u>	<u>\$ (72,155)</u>	<u>\$ 3,025</u>
NET CHANGE IN FUND BALANCE	11,156	(69,171)	348,547	417,718
Fund balance, beginning of year	<u>1,284,716</u>	<u>1,284,716</u>	<u>1,284,716</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 1,295,872</u></u>	<u><u>\$ 1,215,545</u></u>	<u><u>\$ 1,633,263</u></u>	<u><u>\$ 417,718</u></u>

OTHER SUPPLEMENTARY INFORMATION

Bath Charter Township
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
December 31, 2006

	Special		
	Police Training	Street Lighting	Drug Forfeiture
ASSETS			
Cash and cash equivalents	\$ 5,126	\$ 58,986	\$ 13,529
Special assessments receivable	-	31,097	-
TOTAL ASSETS	<u>\$ 5,126</u>	<u>\$ 90,083</u>	<u>\$ 13,529</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 4,805	\$ -
Due to other governmental units - local	-	-	-
Deferred revenue	-	49,288	-
TOTAL LIABILITIES	-0-	54,093	-0-
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital projects	-	-	-
Undesignated, reported in			
Special revenue funds	5,126	35,990	13,529
TOTAL FUND BALANCES	<u>5,126</u>	<u>35,990</u>	<u>13,529</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,126</u>	<u>\$ 90,083</u>	<u>\$ 13,529</u>

Revenue			Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Cemetery	Building and Zoning	Budget Stabilization	Debt Service	Capital Improvement	
\$ 74,106	\$ 209,003	\$ 183,014	\$ 2,121	\$ 50,205	\$ 596,090
-	-	-	-	9,935	41,032
<u>\$ 74,106</u>	<u>\$ 209,003</u>	<u>\$ 183,014</u>	<u>\$ 2,121</u>	<u>\$ 60,140</u>	<u>\$ 637,122</u>
\$ -	\$ 2,101	\$ -	\$ -	\$ -	\$ 6,906
-	-	-	-	1,026	1,026
-	-	-	-	14,542	63,830
-0-	2,101	-0-	-0-	15,568	71,762
-	-	-	2,121	-	2,121
-	-	-	-	44,572	44,572
74,106	206,902	183,014	-	-	518,667
74,106	206,902	183,014	2,121	44,572	565,360
<u>\$ 74,106</u>	<u>\$ 209,003</u>	<u>\$ 183,014</u>	<u>\$ 2,121</u>	<u>\$ 60,140</u>	<u>\$ 637,122</u>

Bath Charter Township

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	Special		
	Police Training	Street Lighting	Drug Forfeiture
REVENUES			
Intergovernmental - State	\$ 2,377	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	-	-	-
Interest	226	3,459	596
Other			
Special assessments	-	43,314	-
Other	-	-	2,505
TOTAL REVENUES	2,603	46,773	3,101
EXPENDITURES			
Current			
General government	-	-	-
Public safety	1,475	-	4,251
Public works	-	55,144	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,475	55,144	4,251
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,128	(8,371)	(1,150)
OTHER FINANCING SOURCES			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	1,128	(8,371)	(1,150)
Fund balance, beginning of year	3,998	44,361	14,679
Fund balance, end of year	\$ 5,126	\$ 35,990	\$ 13,529

Revenue			Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Cemetery	Building and Zoning	Budget Stabilization	Debt Service	Capital Improvements	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,377
-	230,492	-	-	-	230,492
15,721	15,897	-	-	-	31,618
3,262	9,200	8,056	53	2,210	27,062
-	-	-	-	15,278	58,592
-	-	-	-	725	3,230
18,983	255,589	8,056	53	18,213	353,371
5,736	-	-	-	-	5,736
-	200,001	-	-	-	205,727
-	-	-	-	15,259	70,403
-	-	-	-	24,823	24,823
-	-	-	72,155	-	72,155
5,736	200,001	-0-	72,155	40,082	378,844
13,247	55,588	8,056	(72,102)	(21,869)	(25,473)
-	-	-	72,155	-	72,155
13,247	55,588	8,056	53	(21,869)	46,682
60,859	151,314	174,958	2,068	66,441	518,678
\$ 74,106	\$ 206,902	\$ 183,014	\$ 2,121	\$ 44,572	\$ 565,360

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2006

	Current Tax Collections	Trust and Agency	Total
ASSETS			
Cash and cash equivalents	\$ 1,886,654	\$ 18,021	\$ 1,904,675
Due from individuals and agencies	-	1,057	1,057
TOTAL ASSETS	\$ 1,886,654	\$ 19,078	\$ 1,905,732
LIABILITIES			
Due to other governmental units			
Federal/State	\$ 5,582	\$ -	\$ 5,582
County	232,427	1,933	234,360
Schools	1,611,103	-	1,611,103
Due to individuals and agencies	37,542	-	37,542
Due to developers	-	17,145	17,145
TOTAL LIABILITIES	\$ 1,886,654	\$ 19,078	\$ 1,905,732

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Board of Trustees
Bath Charter Township
Bath, Michigan

As you know, we have recently completed our audit of the records of Bath Charter Township as of and for the year ended December 31, 2006. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control and our discussions with management.

1. Employees in a position of trust should be required to take annual vacations.

During the course of our audit, and through discussions with management, it was noted that the Township does not have a policy in place that requires employees in a position of trust to take an annual vacation.

We suggest the Township Board adopt a policy requiring employees in a position of trust to take an annual vacation of at least one (1) week. We also suggest that the employee's job responsibilities be performed by another employee during their absence. This policy would improve internal controls and help to mitigate the risk of fraud.

2. The Board should evaluate the use of the Employee Sick and Vacation internal service fund.

During the course of our audit, and through discussions with management, it was noted that the Township maintains an internal service fund for the purpose of providing financial resources related to its liability for employee sick and vacation leave accrued. However, the obligations for accrued sick and vacation leave are not paid out of this fund nor is the liability recorded in it.

We suggest the Township Board review this fund and evaluate its necessity. If it is not the Township's intention to use the internal service fund for compensated absence activity the Board should consider closing this fund by transferring its assets to other funds of the Township which are used to pay compensated absences as they come due.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. These conditions did not affect our report on the financial statements dated May 10, 2007.

This report is intended solely for the information of management and the Board of Trustees of Bath Charter Township and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 10, 2007

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees
Bath Charter Township
Bath, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bath Charter Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiencies that we consider be significant deficiencies in internal control over financial reporting:

ACCRUED SICK AND VACATION BALANCES

During the course of our audit, and discussions with management, it was noted that the Township does not use its automated payroll system to track compensated absences for salaried personnel. As a result, manual adjustments are made throughout the year that are not subsequently reviewed or approved. During our testing of compensated absence balances we noted one (1) instance where a salaried employee's balance of unused sick and vacation hours recorded in the Township's payroll system did not agree with the balance of hours recalculated based on hours earned and used throughout the year.

We recommend the Township Board review the procedures related to the tracking of compensated absences and any potential limitations of the current automated payroll software. We also recommend the Township Board consider additional controls and a review or periodic verification of employee balances by someone independent of the payroll process.

SEGREGATION OF DUTIES

During our consideration and assessment of fraud risk, we noted that the Township does not have sufficient segregation of duties in its accounting structure. Specifically, we noted that the same individual who is responsible for preparing bank reconciliations makes bank deposits and maintains the computerized general ledger, including the preparation and recording of journal entries. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While a lack of appropriate segregation of duties is a common occurrence in small organizations due to the limited number of employees, the Township should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Board provide a greater review and supervision of employee functions and procedures. We also recommend that in the future when the Township is adopting new or modifying existing financial policies that they consider the issue of fraud and assure that the policy discusses ways that will prevent, deter, and detect fraud within the area the policy is addressing.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the significant deficiencies stated above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance:

BUDGETS

As noted in the financial statements, some of the activities and funds of the Township exceeded the amounts appropriated. The variance noted was in one Special Revenue Fund (Street Lighting).

Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management and Members of the Board of Trustees of Bath Charter Township, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 10, 2007